Postal Regulatory Commission
Submitted 1/30/2015 10:46:08 AM
Filing ID: 91272
Accepted 1/30/2015

TAXPAYERS PROTECTION ALLIANCE

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2014

Docket No. ACR2014

COMMENTS ON ANNUAL COMPLIANCE REPORT

January 30, 2015

On December 31, 2014, the Commission solicited public comments on the Postal Service's Annual Compliance Report.

In response to the materials provided by the U.S. Postal Service in the agency's Annual Compliance Report for Fiscal Year 2014 ("FY 2014 ACR"), the Taxpayers Protection Alliance (TPA), hereby submits the following reply comments to respectfully request that the Postal Regulatory Commission (the Commission) more thoroughly scrutinize the operations and accounting practices of the Postal Service. TPA submits these comments with the expectation that the Postal Service must do more to properly track and attribute the costs of its products.

Such concerns are of particular importance for our non-profit non-partisan organization in that we represent the interests of citizens and taxpayers across the country whose dollars are used to support the Postal Service's ability to reliably deliver mail. Taxpayers will have a further and more deeply vested interest in the agency as its financial struggles persist.

TPA previously submitted comments to the Commission regarding the

Customized Delivery program illuminating the ability of the Postal Service to provide a product that leverages its monopoly status to undercut private competitors in the free market, and for which its financial merits were not proven. Regrettably, the Commission decided to allow the expansion of the test program while acknowledging that it lacked financial data to prove sustainability. Adequate data to determine any potential benefits of the program still has yet to be presented.

The Postal Service's dismal financial performance is highlighted by the agency's $5.5 billion net loss reported in the fiscal year 2014 (Oct. 1, 2013 – Sept. 30, 2014). This marks the agency's eighth consecutive annual net loss and a continuation of the inability to borrow from the U.S. Treasury because it has exhausted the $15 billion credit limit that it was endowed.

More specifically, the Postal Service's compliance report reveals several products for which the reported attributable costs exceed revenue generated by approximately $1.01 billion. A net loss was contributed by non-core service offerings including Standard Mail Flats, Standard Mail Parcels, and total periodicals.

Under the current accounting methods, it is impossible for the Postal Service to disprove that its gains on profitable monopoly services have allowed it to continue providing non-core service offerings that are not covering their costs. In its work with the Postal Service, the Commission must further investigate the operational practices and the potential rate increases for products that are losing money, and further, to question the rationale for providing these products at all in the future.

TPA identifies within the report an inability on the part of the Postal Service to properly attribute costs, and accurately price its products in response to market factors – thus augmenting the risk that market dominant products will subsidize others that are designated as competitive. Rational product pricing wholly depends on full knowledge of the costs they incur.

Accordingly, TPA encourages the Commission to require more thorough reporting and transparency with regard to Postal Service product cost attribution. Our organization and those we represent expect the Postal Service to be financially sustainable and continue to fulfill its mission to deliver letters.

Respectfully submitted,

David Williams
President
Taxpayers Protection Alliance